

EXHIBIT NO. 2
DATE 2-20-15
BILL NO. SB346**SB 346 Increases Consumer Options for Securing Mortgage Loans****Summary of Issue**

Under current Montana law, consumers are unable to obtain mortgage loans from most State Farm agents: trusted local business owners, who in 26 other states are able to provide this service. This is due to a combination of the State Farm business model, state statutes, and provisions of the Federal SAFE Act. Senate Bill 346 removes impediments to meeting mortgage broker license experience requirements--giving Montana consumers more options for securing mortgage loans--while maintaining the highest level of oversight and consumer protection.

Facts

- State Farm Bank, F.S.B. ® is a federally chartered savings bank and is regulated and examined by the US Office of the Comptroller of the Currency (OCC) pursuant to Federal law. The Consumer Financial Protection Bureau (CFPB) oversees the SAFE Act and its implementation by the states. State Farm Bank itself as a federal savings bank is exempt from state licensing.
- In addition to the strict oversight provided by the OCC, compliance oversight of State Farm Bank and its exclusive agents is carried out by a full-time dedicated staff within State Farm Bank and benefits from cooperative efforts of the Bloomington-based State Farm Marketplace Compliance Department.
- Under the State Farm business model, State Farm agents are independent contractors of State Farm, selling exclusively State Farm products and services. A separate agreement with State Farm Bank authorizes them to market State Farm Bank Products, such as vehicle loans, CD's, and credit cards. State Farm independent contractor agents are not *employees* of State Farm Bank.
- While the Federal SAFE Act provides an exemption from state licensing for federally chartered banks and their *employees*, the Act is silent on the business model of independent contractor agents as utilized by State Farm.
- Currently State Farm's independent contractor agents in Montana must obtain both a mortgage broker and a mortgage loan originator license in order to market and assist in the origination of first and second mortgage Bank loans. The mortgage broker license, however, requires that a "designated manager" with three years of experience as a mortgage loan originator or in a related field be appointed to supervise the main office and each branch location.
- With the passage of the Federal SAFE Act, and its adoption in Montana, the overwhelming majority of Montana's 78 State Farm independent contractor agents have been unable to continue marketing State Farm Bank mortgages for Montana consumers.

The State Farm Position:

- Consumers benefit from a robust, competitive market place. SB 346 provides Montana consumers the additional option of obtaining a mortgage from State Farm Bank through their local and trusted State Farm agent.
- State Farm Bank offers a product portfolio designed to complement our insurance lines of business. We underwrite only Fannie Mae loans – no FHA, VA, Freddie Mac or Ginnie Mae.
- SB 346 will not exempt State Farm independent contractor agents from the core SAFE Act requirements to become licensed mortgage loan originators. State Farm agents will still be required to complete 20 hours of pre-licensing education, pass national and state exams, and undergo background checks and credit checks.
- State Farm Bank is responsible for the actions of its agents in mortgage origination and lending activities. Montanans can be assured of the consumer protection provided by this oversight and supervision.
- Some 26 other states across the nation have acknowledged the unique independent contractor status of State Farm agents in order to allow greater consumer choice in mortgage products.
- Currently, the only way for a Montana consumer to obtain a State Farm Bank mortgage is to apply either through one of the very few mortgage-licensed agents in the state, or through direct contact with the bank by phone. If that transaction could take place in here in the state of Montana, the income and tax revenue generated by that transaction would stay right here in Montana.

For More Information

Contact Greg Van Horssen, 406-439-0495.



State of Opportunity:

Providing Jobs

State Farm agents in Montana are independent business owners of diverse backgrounds serving the entire state. State Farm independent contractor agents employ their own office staff.

Company employees in Montana handle claims and underwriting activities, and provide support for multiple business functions.

State of Protection:

Helping people recover from the unexpected

At State Farm, being a good neighbor is not just a slogan—it's a way of doing business. State Farm agents and employees are dedicated to keeping promises and being there for customers when they need us most.

Each year, State Farm pays millions of dollars in claims to Montanans who sustain covered losses to their cars and homes, or suffer accidental injuries.

State of Hope:

Giving back to our communities

Through the State Farm Foundation and Good Neighbor Citizenship Program®, State Farm supports charitable programs that help build safer, stronger, and better educated communities across Montana.

Local communities also benefit from our purchase of municipal bonds. Municipal bonds help communities raise money for projects that benefit the public. By investing in Montana, State Farm is helping improve the quality of life for all Montanans.

State of Responsibility:

Paying our fair share

State Farm believes it is important to be a good corporate citizen and we do this in a number of ways. From paying our fair share of business property and premium taxes to investing in municipal bonds to benefit public projects, to working with regulators and policy makers, we accept responsibility for where and how we do business.

About State Farm®:

State Farm and its affiliates are the largest provider of car insurance in the U.S. In addition to providing auto insurance quotes, their 18,000 agents and more than 65,000 employees serve over 82 million policies and accounts – nearly 80 million auto, home, life, health and commercial policies, and nearly 2 million bank accounts. Commercial auto insurance, along with coverage for renters, business owners, boats and motorcycles, is available. State Farm Mutual Automobile Insurance Company is the parent of the State Farm family of companies. State Farm is ranked No. 41 on the 2014 Fortune 500 list of largest companies. For more information, please visit <http://www.statefarm.com>.

State Farm is proud to be part of the economic fabric of Montana. For additional information, visit www.statefarm.com.

State Farm® in Montana

State of Opportunity: Providing Jobs

80 State Farm Agents who are *independent small business owners*

253 Employees of Independent Contractor Agents

100 Company Employees



State of Protection: Helping people recover from the unexpected



222.7 thousand Auto policies in force

\$70.9 million in auto claims paid

119 thousand Residential & Commercial policies in force

\$32.8 million in Residential & Commercial claims paid



State of Hope: Giving back to our communities

\$66 thousand in charitable giving to help build safer, stronger, better educated communities

\$103.6 million invested in municipal bonds



State of Responsibility: Paying our fair share

\$6.6 million in premium taxes paid

\$9,800 thousand in business personal property taxes paid

